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July 29, 2009

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **1736 FAMILY CRISIS CENTER CONTRACT REVIEW – A
DEPARTMENT OF MENTAL HEALTH SERVICE PROVIDER – FISCAL
YEARS 2007-08 AND 2008-09**

We completed a program and fiscal contract compliance review of 1736 Family Crisis Center (FCC or Agency), a Department of Mental Health (DMH) service provider.

Background

DMH contracts with FCC, a private non-profit community-based organization that provides services to clients in Service Planning Areas 6 and 8. Services include interviewing program clients, assessing their mental health needs and developing and implementing a treatment plan. The Agency's headquarters is located in the Second District.

DMH pays FCC on a cost reimbursement basis between \$1.25 and \$3.50 per minute of staff time (\$75 to \$210 per hour) for services or approximately \$379,000 for Fiscal Year 2007-08.

Purpose/Methodology

The purpose of our review was to determine whether FCC complied with its contract terms and appropriately accounted for and spent DMH program funds providing the services outlined in their County contract. We also evaluated the adequacy of the

Agency's accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed Agency staff.

Results of Review

FCC maintained documentation to support the mental health services billed and staff assigned to the County contract possessed the required qualifications. However, FCC did not always comply with the County contract requirements and billed DMH \$1,190 in questioned costs. Specifically, FCC:

- Did not complete some elements of the Assessments, Client Care Plans and Progress Notes in accordance with the County contract.
- Billed DMH \$1,190 for training that benefited non-DMH employees.

We have attached the details of our review along with recommendations for corrective action.

Review of Report

We discussed the results of our review with FCC and DMH on March 3, 2009. In their attached response, the Agency concurred with our findings and agreed to reduce the expenditures on their revised Cost Report by the \$1,190 in questioned costs.

We thank FCC management for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Dr. Marvin J. Southard, Director, Department of Mental Health
Ronald Troupe, President, Board of Directors, 1736 Family Crisis Center
Carol Adelfkoff, Executive Director, 1736 Family Crisis Center
Public Information Office
Audit Committee

**DEPARTMENT OF MENTAL HEALTH
1736 FAMILY CRISIS CENTER
FISCAL YEARS 2007-08 AND 2008-09**

BILLED SERVICES

Objective

Determine whether 1736 Family Crisis Center (FCC or Agency) provided the services billed in accordance with their contract with the Department of Mental Health (DMH).

Verification

We reviewed 30 billings totaling 2,376 minutes from 12,272 service minutes of approved Medi-Cal billings from May and June 2008. We reviewed Progress Notes, Assessments, and Client Care Plans maintained in the clients' charts for the selected billings. The 2,376 minutes represent services provided to 20 program participants.

Results

FCC maintained documentation to support the billed service minutes. However, the Agency did not always complete some elements of the Assessments, Client Plans and Progress Notes in accordance with the County contract requirements.

Assessments

FCC did not adequately describe the symptoms and behaviors exhibited by the clients to support the Agency's clinical diagnosis for 16 (80%) of the 20 clients sampled on their Assessments. An Assessment is a diagnostic tool used to document the clinical evaluation of each client and establish the client's mental health treatment needs. The County contract requires Agencies to follow the Diagnostic and Statistical Manual of Mental Disorders (DSM) when diagnosing clients.

Client Care Plans

FCC did not complete Client Care Plans for nine (45%) of the 20 clients sampled in accordance with the County contract. Specifically:

- Eight Client Care Plans contained goals that were not specific.
- Four Client Care Plans contained goals that were not related to clients' needs identified in their initial Assessments.

Some of the number of incomplete Client Care Plans in the examples above contained more than one deficiency.

Progress Notes

The Agency did not complete 15 (50%) of the 30 Progress Notes in accordance with the County contract. Specifically, the 15 Progress Notes for mental health services did not describe what the clients or service staff attempted and/or accomplished towards the clients' goals.

Recommendation

1. **FCC management ensure that Assessments, Client Care Plans and Progress Notes are completed in accordance with the County contract.**

STAFFING LEVELS

Objective

Determine whether the Agency maintained the appropriate staffing ratios for applicable services.

We did not perform test work in this section, as the Agency did not provide services that require staffing ratios for this particular program.

Recommendation

None.

STAFFING QUALIFICATIONS

Objective

Determine whether FCC's treatment staff possessed the required qualifications to provide mental health services.

Verification

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for eight of 27 FCC treatment staff who provided services to DMH clients during May and June 2008.

Results

Each employee in our sample possessed the qualifications required to deliver the services billed.

Recommendation

None.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue were properly recorded in the Agency's financial records and deposited timely in their bank account. In addition, determine whether the Agency maintained adequate controls over cash and other liquid assets.

Verification

We interviewed FCC management and reviewed the Agency's financial records. We also reviewed the Agency's September 2008 bank reconciliations for two bank accounts.

Results

FCC maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner.

Recommendation

None.

COST ALLOCATION PLAN**Objective**

Determine whether FCC's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

Verification

We reviewed FCC's Cost Allocation Plan and selected a sample of expenditures to ensure that expenditures were properly allocated to the Agency's programs.

Results

FCC's Cost Allocation Plan was prepared in compliance with the County contract and the shared expenditures were appropriately allocated.

Recommendation

None.

EXPENDITURES**Objective**

Determine whether program expenditures were allowable under the County contract, properly documented and accurately billed.

Verification

We reviewed financial records and documentation for 13 non-payroll expenditure transactions totaling \$10,498 between July 2007 and September 2008.

Results

Generally, FCC's expenditures were allowable, accurately billed and supported by documentation as required. However, the Agency charged DMH \$1,190 for training of non-DMH employees.

DMH pays FCC based on a negotiated rate per unit of service provided rather than cost reimbursement. If the Agency's revenues exceed their actual expenditures, the Agency must repay DMH for the excess amount received. The Agency's Cost Report identifies their revenues and expenditures. The Agency needs to repay DMH for any excess amounts paid if after adjusting their Cost Report to reduce expenditures for questioned costs, results in excess revenue.

Recommendations**FCC management:**

2. **Revise the Fiscal Year (FY) 2007-08 Cost Report to reduce the reported program expenditures by \$1,190 and repay DMH for any excess amount received.**
3. **Ensure that only allowable program expenditures are charged to the DMH program.**

FIXED ASSETS**Objective**

Determine whether fixed asset depreciation costs charged to the DMH program was allowable under the County contract, properly documented and accurately billed.

We did not perform test work in this section as the Agency did not charge fixed asset depreciation costs to the DMH program.

Recommendation

None.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to the DMH program. In addition, determine whether personnel files were maintained as required.

Verification

We interviewed and reviewed the payroll expenditures totaling \$5,417 for nine employees charged to the DMH program for the pay period ending September 30, 2008. We also reviewed their personnel files.

Results

FCC's payroll expenditures were appropriately charged to the DMH program. In addition, the Agency maintained personnel files.

Recommendation

None.

COST REPORT**Objective**

Determine whether FCC's FY 2007-08 Cost Report was completed in accordance with the County contract.

Verification

We traced the Agency's FY 2007-08 Cost Report to the Agency's general ledger.

Results

The Agency's total cost listed on FCC's Cost Report reconciled to the Agency's accounting records.

Recommendation

None.



May 5, 2009

Wendy L. Watanabe
Auditor-Controller
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 525
Los Angeles, CA 90012-2706
Re: Contract Review on October 27, 2009

Dear Ms. Watanabe:

Although, we were informed that we have similar volume of findings as other Department of Mental Health providers and were pleased to know that we excelled in many areas. However, we did review the findings in the report and we take all recommendations very seriously and wanted to provide you with information about how we addressed the concerns in the draft report dated March 3, 2009.

Recommendation #1: Ensure Assessments, Client Care Coordination Plans and Progress Notes are completed in accordance with the County contract.

All staff upon hire is thoroughly trained by a licensed supervisor on DMH standards of treatment including completing assessments, client care plans, and proper documentation in progress notes for all clients. This includes review of the DSM-IV for diagnosing clients as well as identifying clients' impairment which is required by the contract to meet medical necessity. Since we became aware of these recommendations our Director of Clinical Programs arranged several trainings with all staff and interns working with DMH clients to address these issues specifically, please find attached quality assurance training sign-in sheets for your reference. In addition, four of our clinical supervisors attended training on the Client Care Coordination Plan conducted by the Department of Mental Health in March 2009.

Recommendation #2: Revise FY 2007-08 Cost Report to reduce the reported program expenditures by \$1,190 and repay DMH for any excess amount received.

Recommendation #3: Ensure that only allowable program expenditures are charged to the DMH program

Recommendations 2 and 3 refer to an accounting error in allocating costs for mandatory staff training. While many staff assigned to the DMH contract did attend this training the full amount of the training was

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□ 2116 Arlington Avenue, Suite 200, Los Angeles, California 90018 (323) 737-3900 fax: (323) 737-3993

□ Service sites in Los Angeles, Redondo Beach, Long Beach, Hermosa Beach, and Torrance

assigned to this contract. The fiscal and data entry staff have been trained in better documenting expenditures that are shared amongst funding sources. We have also revised our cost report as necessary and have adjusted our cost allocation systems to ensure that allocation errors do not occur in the future. Our Cost allocation Plan is available for review as needed.

Please feel free to contact me at 562-388-7661 if you have any further questions or need any other documentation.

Sincerely,

A handwritten signature in black ink, appearing to read "Kimberly Crawford". The signature is fluid and cursive, with a large loop at the end.

Kimberly Crawford
Senior Director of Contracts and Quality Assurance